

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY**

**SINGLE FAMILY MORTGAGE PROGRAM**

**SERVICING MANUAL**

Revised February 2006

## TABLE OF CONTENTS

<b><u>SECTION 1 - ACCOUNTING REPORTS</u></b>	<b>PAGE</b>
1.1 Reporting Requirements	5
1.2 Common Report Characteristics	6
1.3 Report Formats & Instructions	7
 <b><u>SECTION 2 – MORTGAGE LOAN SERVICING - GENERAL</u></b>	
2.1 Wiring Funds	12
2.2 Mortgage Payments	12
2.3 Escrows	13
2.4 Hazard Insurance	14
2.5 Tax Compliance	15
2.6 Down Payment Assistance and HELP Loans	15
2.7 Step Loans	16
2.8 Loan Payoffs	16
2.9 Loan Set-Up	16
2.10 Cancellation of Private Mortgage Insurance	17
2.11 Servicemembers Civil Relief Act	17
2.12 Sub-servicing Transfer/Lender Repurchase	18
2.13 Sub-servicer Monthly Billing	18
 <b><u>SECTION 3 - OWNERSHIP TRANSFERS</u></b>	
3.1 Record/Ownership Changes	21
3.2 Leases	21
3.3 Assumptions	22
 <b><u>SECTION 4 – MORTGAGE LOAN SERVICING – DELINQUENT ACCOUNTS</u></b>	
4.1 Contact Information	24
4.2 Due on Sale	25
4.3 Delinquent Loans	25
4.4 Loss Mitigation	26
4.5 Loan Modification	27
4.6 Forbearance	28
4.7 Reinstatement	28
4.8 Redemption	29
4.9 Deed-in-Lieu of Foreclosure	29
4.10 Partial Claim	30
4.11 Short Sale	30
4.12 Bankruptcy	31
4.13 Authority Foreclosure Statute	31
4.14 Requirements to Start Foreclosure	32
4.15 Default and Claim Procedures	32
4.16 Eviction	36

**SECTION 5 - SCHEDULES AND EXHIBITS****PAGE**

Schedule A	Month-End Collection Report	38
Schedule B	Month-End Prepaid Installments Report	39
Schedule C	Month-End Curtailments Report	40
Schedule D	Month-End Paid in Full Report	41
Schedule E	Month-End Delinquency Report	42
Schedule F	Month-End Payment Reversals Report	43
Schedule G	Month-End Curtailment Reversals Report	44
Schedule H	Month-End P&I Payments Not Collected on Payoffs Report	45
Schedule I	Month-End Trial Balance	46
Schedule J	Remittance Reconciliation	47
Schedule K	Remittance Report For Loan Payment In Full	48
Schedule L	Regular Remittances By Bond Series	49
Exhibit 1	MSHDA DPA Programs	50
Exhibit 2	Request To Cancel Private Mortgage Insurance	51
Exhibit 3	Sub-servicing Client Service Release	52
Exhibit 4	New Sub-servicer Information	53
Exhibit 5	Status Report- Forbearance and 3+ Mos Delinquent	54
Exhibit 6	Statue Report- Forclosures and REOs	55
Exhibit 7	Default Recommendation	56
Exhibit 8	Loss Mitigation Worksheet Proposal	58
Exhibit 9	Loan Modification Worksheet	60
Exhibit 10	Default Status Notification	61
Exhibit 11	Discharge of Mortgage for Corporations	62
Exhibit 12	Bankruptcy Status Report	63
Exhibit 13	Document Request List	64
Exhibit 14	Request For Reimbursement of Advances	65
Exhibit 15	Servicer Exceptions Record Layout	66

**SECTION 1**  
**ACCOUNTING REPORTS**

- 1.1 Reporting Requirements
  - A. Daily Reports
  - B. Monthly Reports
  - C. Electronic Reports
  - D. Periodic Reports
- 1.2 Common Report Characteristics
- 1.3 Reports Formats & Instructions

## 1.1 REPORTING REQUIREMENTS

***The Sub-servicer shall render all reports regarding servicing of any Mortgage Loan at the time and in the form requested by the Authority. Any errors, differences or corrections must be immediately brought to the Authority's attention. All of the following reports will be sent to:***

**Michigan State Housing Development Authority  
Attn: Dana Nico, Office of Finance  
735 East Michigan Avenue  
Lansing, MI 48913  
Phone 517 335-0279  
FAX 517 241-4756**

### A. DAILY REPORTS – Hard copy

To be submitted within three (3) business days of the transaction date and to include:

Remittance report for first mortgage payments  
Remittance report for paid in full loans- First Mortgages  
Remittance report for paid in full loans – Down Payment Assistance and HELP loans

### B. MONTHLY REPORTS – Hard copy

To be submitted to the Authority within two (2) business days of the end of the reporting period. The month end package should include one (1) for each bond series of the following reports:

Collection Report - Schedule A:  
Prepaid Installments Report- Schedule B  
Curtailment Report – Schedule C  
Paid in Full Report - Schedule D  
Delinquency Report - Schedule E  
Payment Reversals - Schedule F  
Curtailment Reversals – Schedule G  
P & I Payments Not Collected on Payoffs - Schedule H  
Trial Balance - Schedule I  
Remittance Reconciliation – Schedule J

### C. MONTHLY ELECTRONIC REPORT

To be submitted to the Authority electronically by the sub-servicer within two (2) business days of the reporting period. The record exception format is from Emphasys, formerly known as Accent Oriented Designs, Inc. This is for reporting of regular payments and payoffs of first mortgages. This is not to include reporting for Down Payment Assistance loans, HELP loans, redeemed loans, or foreclosures.

### D. PERIODIC REPORTS

As the situation warrants, the sub-servicer must submit the following reports:

Schedule K – Remittance Report for Loan Payment In Full  
Schedule L – Regular Remittances By Bond Series  
Ownership/Record changes (See Section 3)  
Leases (See Section 3)

## 1.2 COMMON REPORT CHARACTERISTICS

- A. MSHDA Loan Numbers  
All reports must identify each loan using the full 11-digit loan number assigned by the Authority. The sub-servicer loan numbers may be present, but may not be substituted for the MSHDA loan numbers.
- B. Loan Number Sequence  
The data on all reports must be sequenced in MSHDA's loan number order.
- C. Report Consolidation  
Reports are not to be segregated by loan type (i.e. FHA, VA and Conventional or interest rate, etc.). Only one consolidated report will be accepted for each series. Separate reports, by bond series, will be submitted for the first mortgages and the Down Payment Assistance loans.
- D. Cut-Off Date  
The reporting period cut-off date for this program is the 28<sup>th</sup> of the month. Accounting and servicing reports must reflect this date. If the 28<sup>th</sup> is not a workday, then the reports should reflect activity through the last workday preceding the 28<sup>th</sup>.
- E. Bond Series Number  
The 3-digit Bond Series number (eg. 029) is required on all reports.
- F. Sub-servicer Name  
The sub-servicer's name is required on every form. Abbreviations are allowed (due to limited space) as long as the abbreviation does not render the sub-servicer name unidentifiable.
- G. Sub-servicer ID Number  
The MSHDA assigned sub-servicer ID number should appear as required.
- H. Dates  
A six-digit figure, consisting of two digits per month, day and year, in that sequence, is to be used. Single-digit figures for month or day are to be preceded by a zero (eg. 07-28-05).
- I. Servicing Fee  
The service fee rate is the fixed percentage earned by the sub-servicer for sub-servicing Mortgage Loans in this program. Where required, it is to be expressed as a percent (eg. .375%).

### 1.3 REPORT FORMATS AND PREPARATION INSTRUCTIONS

***The following are for reporting of the Single Family mortgage loans (first mortgages), and not to include the Down Payment Assistance (“DPA”) loans, HELP loans, redemptions, or foreclosures, except in the case of Schedule D and Schedule K. Submit a separate Schedule D for paid in full DPA loans. DPA payoffs will be reported on Schedule K with the first mortgage. If the DPA pays off by itself, submit Schedule K for the DPA only. Report redeemed and foreclosed loans to the Authority’s delinquent accounts staff.***

A. Collection Report (Schedule A)

PURPOSE: This report provides a loan-by-loan detail of principal and interest collected during the reporting period for the bond series.

B. Prepaid Installments Report (Schedule B)

PURPOSE: This report provides a loan-by-loan detail of prepaid monthly payments collected in the current activity period.

INSTRUCTIONS: Enter the MSHDA loan number, transaction date, monthly installment date, and total dollar amount of level payments prepaid in the current reporting period (must be divisible by P&I constant). Enter the total amount of prepayments collected during the current reporting period for the bond series on the total line.

C. Curtailment Report (Schedule C)

PURPOSE: This report provides a loan-by-loan detail of principal curtailments collected during the current reporting period.

The Authority will not accept/apply partial payment (additional principal) on a delinquent loan as a curtailment. If partial payment is remitted on a delinquent loan, MSHDA will classify it as an overage. Sub-servicers are recommended to handle the partial payment as follows:

- (1) hold in a suspense account, or
- (2) temporarily apply to escrow until enough dollars have been received to make a full level payment.

INSTRUCTIONS: Enter the MSHDA loan number, transaction date, interest paid to date of loan at the time the curtailment was made and amount of principal paid in current reporting period over and above level payment received. Enter total amount of principal curtailments for current reporting period for the bond series on the total line.

D. Payment in Full Report (Schedule D)

PURPOSE: This report provides a loan-by-loan detail of all loans paid in full in the current reporting period. A separate Schedule D must be submitted for paid in full DPA loans.

INSTRUCTIONS: Enter the MSHDA loan number, borrower name, date of payoff, interest paid to date of loan at time of payoff, principal and interest collected, service fee retained by the sub-servicer (if applicable), and prepayment penalty collected (if applicable). Enter total amount of payoff in Column E (Total - Columns A through D). Enter total principal and interest collected, service fees retained, prepayment penalties if applicable, and recording fees for the current reporting period on the Total line. Enter the total amount collected for loans paid in full for the current reporting period for the bond series on the Total line of Column E (should equal total Columns A through D).

- E. Delinquency Report (Schedule E)  
PURPOSE: This report provides a loan-by-loan detail of all level payments not collected in the current reporting period on delinquent loans.
- INSTRUCTIONS: Enter the MSHDA loan number, the interest paid to date at the end of the current reporting period, and total dollar amount of level payments due but not received (must be divisible by P&I constant). Enter total dollar amount of delinquent payments for the current reporting period for the bond series on the total line.
- F. Payment Reversals Report (Schedule F)  
PURPOSE: This report provides a loan-by-loan detail of all installments that were applied in a previous activity period and were reversed in the current reporting period.
- INSTRUCTIONS: For each loan, enter the MSHDA loan number, due date(s) of payment(s) being reversed, and dollar amount of level payments reversed in the current reporting period (must be divisible by P&I constant). Enter the total dollar amount of level payments reversed for the current reporting period for the bond series on total line.
- G. Curtailment Reversals Report (Schedule G)  
PURPOSE: This report provides a loan-by-loan detail of all curtailments that were applied in a previous reporting period and reversed in the current reporting period.
- INSTRUCTIONS: Enter the MSHDA loan number, transaction date the curtailment was originally applied, due date of payment to which the original curtailment was applied, and dollar amount of curtailment reversed. Enter total dollar amount of curtailments reversed during the current reporting period for the bond series on the total line.
- H. P&I Payments Not Collected on Payoffs (Schedule H)  
PURPOSE: This report provides a loan-by-loan detail of all level payments not collected in the current reporting period because the loan paid off in the current reporting period
- INSTRUCTIONS: Enter the MSHDA loan number, the loan due date at time of payoff, and total dollar amount of level payments due but not received (must be divisible by P & I constant). Enter the total dollar amount of level payments not collected for the bond series on the total line.
- I. Trial Balance (Schedule I)  
PURPOSE: This report provides a detailed status of all loans serviced in a Bond Series at the end of the current report period. Foreclosures should not be removed from the Trial Balance until notified in writing by the Authority.
- INSTRUCTIONS: Enter the MSHDA loan number, borrower's name, loan interest rate, service fee rate if applicable, loan paid to date or loan due date (clearly labeled as to which), P & I constant, and principal and escrow balances as of the end of the reporting period. Enter total number of loans, total principal balance, and total P&I constant for the bond series as of the end of the reporting period on the total lines.
- J. Remittance Reconciliation (Schedule J)  
PURPOSE: This report allows the servicer to balance the reporting period collections, total number of loans, total P&I constant, and outstanding principal balance for each series to the MSHDA monthly billing.
- INSTRUCTIONS:  
Part A - Collections and Remittances



- Line 1 Enter total amount of principal collected from Schedules A and D.
- Line 2 Enter total amount of interest collected from Schedules A and D (include prepayment penalties).
- Line 3 Enter amount of P&I collected (Line 1 plus Line 2).
- Line 4 Enter total amount of servicing fee charged from Schedules A and D.
- Line 5 Enter prior month's overage from current month's MSHDA Billing.
- Line 6 Enter prior month's shortage from current month's MSHDA Billing.
- Line 7 Enter total cash collected. (Total lines 1-5)
- Line 8 Enter the actual amount remitted by the sub-servicer within the current calendar month (1<sup>st</sup> through the last business day of the month).

#### Part B – Transaction Type Totals

- Line 9 Enter “Amount Due” from the current month’s MSHDA Billing,
- Line 10 Enter total of prepaid installments from Schedule B.
- Line 11 Enter total of curtailments from Schedule C.
- Line 12 Enter the total principal and interest (include prepayments) for loan payoffs from Schedule D.
- Line 13 Enter total of amount not collected on delinquent loans from Schedule E.
- Line 14 Enter total of payment and curtailment reversals from Schedules F and G.
- Line 15 Enter total of P & I payments that were not collected in the current month because the loan paid off.
- Line 16 Enter total of servicing fees charged from Line 3.
- Line 17 Enter total of lines 9 through 16.

#### Part C - Principal Controls

- Line 18 Enter total number of loans, total principal balance and total P&I constant from current month’s MSHDA Billing Trial Balance.
- Line 19 Enter the total number of loans, principal balance, and P&I constant added to the sub-servicer’s portfolio since the last cutoff (new loans).
- Line 20 Enter total number of loans, total principal balance, and total P&I constant removed from the sub-servicer’s portfolio since the last cutoff (payoffs and completed foreclosures).
- Line 21 Enter the total amount of principal applied in the current reporting period from Line 1 above.
- Line 22 Enter current total number of loans, principal balance, and P&I constant (Lines 17-20). This should agree with the sub-servicer’s Trial Balance - Schedule I.

The preparer’s name and phone number should be present and complete.

#### K. Remittance Report for Paid in Full Loans (Schedule K)

PURPOSE: This schedule will be used by a sub-servicer if daily hard copy reports are not submitted. This procedure will be established between the sub-servicer and the Authority.

INSTRUCTIONS: The sub-servicer will FAX this schedule to Dana Nico each time funds are wired for paid in full loans. One form is used for each paid in full loan with the total payoff amount for that particular loan at the bottom of the schedule and the total amount of the wire (other remittances may be included in the same wire) at the top of the form.

#### L. Regular Remittance By Bond Series (Schedule L)

PURPOSE: This schedule will be used by a sub-servicer if daily hard copy reports are not submitted. The procedure will be established between the sub-servicer and the Authority.

INSTRUCTIONS: The sub-servicer will FAX this schedule to Dana Nico each time funds are

wired for regular mortgage payments. This is a breakdown by bond series of the total amount collected/remitted for one day for regular mortgage payments, not including payoffs. The amount for each series is written in the space provided, with the total amount of the regular payments for that day entered at the bottom of the right column. The total amount of the wire is entered at the top. It may be different if the total wire includes funds for payoffs.

M. Electronic Exceptions Report (Exhibit 15 )

PURPOSE: To allow the Authority's Mortgage Servicing staff to download the monthly exceptions information into the Emphasys program so that the information does not have to be entered manually.

INSTRUCTIONS: The sub-servicer must electronically submit the Electronic Exceptions Report as formatted according to the Servicer Exceptions Record Layout by Emphasys (*Exhibit 15*), within three (3) business days of the cutoff date each month.

## **SECTION 2**

### **MORTGAGE LOAN SERVICING -GENERAL**

- 2.1 Wiring Funds
- 2.2 Mortgage Payments
- 2.3 Escrows
- 2.4 Hazard Insurance
- 2.5 Tax Compliance
- 2.6 Down Payment Assistance and HELP Loans
- 2.7 Step Loans
- 2.8 Loan Payoffs
- 2.9 Loan Set-Up
- 2.10 Cancellation of Private Mortgage Insurance
- 2.11 Servicemembers Civil Relief Act
- 2.12 Sub-servicing Transfer/Lender Repurchase
- 2.13 Sub-servicer Monthly Billing

***All services must be performed according to guidelines, mandates, or other requirements as promulgated by FHA, VA, RD, or private mortgage insurers, and pursuant to applicable laws and regulations.***

## **2.1 WIRING FUNDS**

Funds must be wired daily to the Authority within two (2) business days of the date the funds were collected. A wire must only include the collections for one (1) day so that the wire amount can be easily balanced to the daily report. The sub-servicer may elect to send Schedules K and L when remitting funds in place of the daily reports. The procedure will be established between the sub-servicer and the Authority. In either method, the Authority will be provided with detail of which payments are included in each wire. Funds for redeemed loans and proceeds from foreclosures are to be remitted separately from regular payments and payoffs.

Wire to: J P Morgan Chase Bank, NA  
ABA #073000326

Michigan State Housing Development Authority  
Account #08257-23

## **2.2 MORTGAGE PAYMENTS**

Until the principal and the interest on each Authority Mortgage Loan is paid in full, the sub-servicer shall:

- (A) Proceed diligently to collect all payments due under the terms of the Mortgage Note and the Mortgage evidencing and securing each such Authority Mortgage Loan as they become due, and account monthly to the Authority in such a manner as the Authority shall direct herein.
- (B) Keep a complete and accurate account of, and properly apply, all sums collected by it from the borrower on account of each Authority Mortgage Loan for principal and interest, taxes, assessments and other public charges, hazard insurance premiums and mortgage insurance premiums, and furnish the Authority with evidence acceptable to it of all expenditures for taxes, assessments and other public charges, hazard insurance premiums and mortgage insurance premiums. In the event any borrower fails to make a payment to the sub-servicer required to be made under the terms of such Authority Mortgage Loan, the sub-servicer shall notify the Authority of such fact within thirty-five (35) days after the same shall have become due and payable.
- (C) Promptly deposit all funds received on account of such Authority Mortgage Loans, subject to withdrawal on demand, in a segregated trust or custodial account(s) in a state or national bank designated by the Authority, the deposits in which are fully insured by the Federal Deposit Insurance Corporation, or in a state or federal savings and loan association designated by the Authority, the deposits in which are fully insured by the Federal Deposit Insurance Corporation. Such account(s) shall be held by the sub-servicer in such form as shall be directed by the Authority, and shall conform in all respects to any applicable rules

and regulations of the FHA, VA, RD or private mortgage insurance company. The caption of such account(s) shall be as follows: "\_\_\_\_\_ as Trustee for the Michigan State Housing Development Authority and/or Various Mortgagors," or as may otherwise be specified from time to time by the Authority. Upon thirty (30) days written notice, the Authority may direct the sub-servicer to transfer such account(s) to another bank or savings and loan association which is acceptable to the Authority. The sub-servicer shall maintain detailed records to show the respective interest of each individual borrower and the Authority in such account(s). Each such account shall be established and maintained in a manner which complies with the applicable rules and regulations and is fully insured by the Federal Deposit Insurance Corporation.

All payments applied to mortgage loan balances must equal or exceed the monthly constant of principal and interest. A deficiency in the monthly payment collected (including escrows) which does not exceed \$10.00 may be adjusted by reducing the amount credited to the escrow balance. Where the deficiency exceeds \$10.00, the entire payment may be credited to an unapplied account until such time as full payment is received or may be returned to the mortgagor for a complete payment as deemed appropriate. Insufficient fund checks are to be reflected as a complete reversal of the most recent payment applied.

Partial prepayments of principal in any amount may be accepted by the sub-servicer at any time provided all matured installments have been paid. Curtailments may never be applied to delinquent loans.

The sub-servicer shall not consent to the sale or transfer of the mortgaged premises as to any Authority Mortgage Loan nor accept mortgage payments from any party other than the Mortgagor of record without the permission of the Authority.

## **2.3 ESCROWS**

The sub-servicer must maintain an escrow account for taxes, insurance, and Mortgage Insurance Premiums for each Mortgagor. The accounts must be computed under the zero balance method in compliance with RESPA. The zero balance method considers all escrow items in the aggregate and results in only an amount required to be escrowed sufficient to keep the escrow balance from going below zero. The sub-servicer must make all tax and insurance payments in a timely manner; in particular, taxes should be paid in the year assessed so that the mortgagor will be able to deduct taxes on that year's income tax return. All disbursements should be made only with proper documentation of the amount due.

Annual certification that all escrow payments due under the terms of such Authority Mortgage Loans have been properly collected and applied shall be sufficient, unless otherwise indicated in writing by the Authority.

The escrow accounts must be analyzed each year. In case of shortage:

- (A) If a shortage is less than one month's escrow account payment, the sub-servicer may require the borrower to pay the shortage amount within thirty (30) days; or the sub-servicer may allow the borrower to pay the shortage in equal monthly payments over a twelve (12) month period.

- (B) If a shortage is greater than or equal to one month's escrow account payment, the sub-servicer must allow the borrower to repay the shortage in equal monthly payments over a twelve (12)-month period.

In case of surplus:

- (A) If the surplus is greater than or equal to \$50 (or less, if a lesser amount is the sub-servicer's normal policy), the sub-servicer shall refund the surplus to the borrower within thirty (30) days from the date of the analysis.
- (B) If the surplus is less than \$50 (or less, if a lesser amount is the sub-servicer's normal policy), the sub-servicer may refund such amount to the borrower, or credit such amount against the next year's escrow payment.

## 2.4 **HAZARD INSURANCE**

### A. Coverage

The dwelling unit securing a loan must be covered by hazard insurance as follows:

- (1) Fire and extended coverage insurance in an amount sufficient to cover the outstanding principal balance of the loan at all times during the term of such Authority mortgage loan.
- (2) Each hazard insurance policy must be written and issued by a hazard insurance carrier licensed to do business in the State of Michigan and not unacceptable to the Authority.
- (3) The insurance must be in effect on the closing date of the loan, and must be paid in advance for a full year from the closing date. If a policy cannot be obtained by closing, we will accept a binder with paid receipt.

### B. Policy Requirements

The hazard insurance policy is not required to name the Authority as a mortgagee unless the coverage would be impaired by not being named.

- (1) If the Authority is not named, the mortgagee name should read the sub-servicer's name, followed by "its successors and assigns."
- (2) If the Authority is to be named in order to preserve full coverage, the mortgagee name should read "The Michigan State Housing Development Authority, a public body corporate and politic, and/or (the sub-servicer's name) as their interests may appear," in care of the sub-servicer's name and address.

The sub-servicer shall retain custody of such policies and renewals thereof, as sub-servicer for the Authority. The sub-servicer shall use due diligence to ascertain any loss or damage to such premises and upon obtaining knowledge thereof, notify the Authority and the insurance company concerned. Each such policy shall provide for payment to the sub-servicer on behalf of the Authority in the event of loss. The sub-servicer shall have no authority to make any agreement with respect to the restoration or rehabilitation of property damaged by fire or other casualty, except where the amount of the loss is less than Ten Thousand Dollars (\$10,000.00) or less, in which case, the sub-servicer is authorized to disburse the insurance proceeds upon

condition that all charges for construction, rehabilitation, labor and materials have been fully paid, the borrower has executed a satisfaction letter and that an inspection, acceptable to the Authority has been made to the mortgaged premises having suffered such fire or other casualty loss. The sub-servicer shall receive no compensation for its services pursuant to this Section in addition to that provided for servicing of all loans.

## **2.5 TAX COMPLIANCE**

All property taxes shall be paid by the mortgagor's escrow account. Any penalties, interest and/or fees due to late payment of taxes are the responsibility of the sub-servicer. The sub-servicer shall provide borrowers with all tax information and reports customarily provided by sub-servicers. The sub-servicer shall be aware of all provisions of the Internal Revenue Code affecting the servicing of Authority Mortgage Loans.

The sub-servicer shall furnish the Authority with annual tax certification to the effect that all taxes and assessments have been fully and properly paid with respect to all Authority Mortgage Loans, and with an annual report of an audit of all escrow accounts established by the sub-servicer with respect to the Authority Mortgage Loans.

## **2.6 DOWN PAYMENT ASSISTANCE AND HELP LOANS**

The Authority has several types of second mortgages which are attached to some senior Single Family Mortgage Program loans: Down Payment Assistance ("DPA") and HELP loans. These are non-interest bearing loans with no payments. The amount due for the DPA and/or HELP loans must be paid concurrently with the payoff of the first mortgage. The amount due for a HELP loan is the full face value of the Note. The amount due for a DPA loan depends on the type.

The sub-servicer should determine which type of DPA loan the borrower has when the loan is set up so that it is coded correctly in the sub-servicer's system for calculating the amount due at any point in time and payoff information. Types of DPA loans, project codes, and specifications may be found on *Exhibit 1*.

*Exception to paying the full amount due:*

For all of the Authority's DPA and HELP loans, if the borrower is selling the property, the borrower would owe the lesser of the amount due or the net proceeds of the sale. This will be determined by the Michigan State Housing Development Authority. Certain documentation will be required from the Title Company handling the closing, and a letter forgiving all or part of the DPA or HELP loan(s) must be done by the Authority and incorporated into the HUD Settlement Statement prior to the closing.

*Any questions in regards to the amount due or the payoff of the DPA or HELP loans should be referred to Dana Nico, MSHDA Single Family Mortgage Servicing, 517 335-0279.*

## **2.7 STEP LOANS**

The Authority has one type of variable rate loan, a step loan. The step loan has a reduced interest rate for the first three years of the loan. The interest rate (and the P&I) increases one time effective with the first payment of the fourth year. These terms are detailed on the Interest Modification Allonge Amending Note, which the sub-servicer should receive a copy of from the lender. The sub-servicer is responsible to make the appropriate changes to the interest rate and P&I prior to the first payment of fourth year, and to notify the borrower.

## **2.8 LOAN PAYOFFS**

The sub-servicer is responsible for providing payoff statements which include itemization of the first mortgage current unpaid principal, interest due (including per diem rate), separate line item for Down Payment Assistance and/or HELP loan principal due and other charges such as late fees, MIP or escrow, which make up the total amount due.

The interest on payoffs for all Single Family Mortgage loans, regardless of type, is to be calculated and charged to the actual day the loan is paid off. The payoff funds shall be remitted to the Authority within two (2) business days of receipt.

If a conventional loan is paid off within the first three (3) years, a one percent (1%) prepayment penalty will be assessed on the unpaid principal balance. FHA and VA Mortgage Notes contain a provision allowing the mortgagor to pay the loan in full at any time without charge or penalty.

For each loan paid in full, the sub-servicer will submit notification to the Authority by means of a daily Paid in Full Loans report or Schedule K. In addition, the sub-servicer will send a letter/form to the Authority advising that the loan has paid in full and requesting an executed Discharge of Mortgage and pertinent documents. The letter/form shall include the Mortgagor's name, property address, MSHDA loan number, sub-servicer name, sub-servicer loan number, payoff date, to whom the Discharge should be mailed, and to whom the Discharge should be returned to after recording.

The Authority's Mortgage Servicing Section will prepare the Discharges of Mortgage for all paid-in-full loans (this does not include redeemed loans), and return them to the sub-servicer with the original Mortgage Notes. The sub-servicer is responsible for sending the Discharge of Mortgage to the Register of Deeds office in the appropriate county for recording.

## **2.9 LOAN SET-UP**

When the Authority purchases a loan from one of its approved lenders, the Authority will send a copy of the purchase advice to the sub-servicer as notification of the date the loan is purchased and the purchase amount. The lender will send the set-up package and any funds due to the sub-servicer. The sub-servicer must be careful to set the new loan up with the correct MSHDA loan number, principal balance, paid to date, interest rate, and see that the loan is set-up in the correct bond series. Escrow accounts must be complete and accurate.

On occasion, the Authority purchases a loan after the first payment is due by the borrower. In such cases, the first payment due the Authority is the payment for the month following the date



of purchase. Example: if the Authority purchases a loan on 02/10/06, and it is after the first payment was due according to the Note, the first payment due the Authority is the 03/01/06 payment. The lender will collect all payments due until the Authority purchases these loans. The borrower may sometimes pay extra principal (curtailment) with these payments due to the lender. If the sub-servicer finds that the Authority purchased such a loan at a different principal amount than the lender has transferred to the sub-servicer because of such curtailments, the Authority should be notified immediately. The Authority will contact the lender to collect these funds to adjust the purchase funding, and correct the principal balance.

## **2.10 CANCELLATION OF PRIVATE MORTGAGE INSURANCE**

The following information should be used by the sub-servicer to ascertain whether the private mortgage insurance (PMI) may be cancelled on a mortgage. If the sub-servicer believes that the PMI may be cancelled, *Exhibit 2, Request to Cancel Private Mortgage Insurance* should be submitted to the Authority for approval (or denial) of the cancellation.

The loan to value (LTV) ratio is computed by dividing the current principal balance by the lesser of either the original sales price or the original appraised value.

The decreasing outstanding principal balance allows the cancellation of the PMI if no late payment occurred in the last 12 months and the LTV ratio drops below:

Bond Series 002 – 034 @ 70% (loans which use to be in series 037 and are now in series 032 will remain at 78%)

Bond Series 035 - 036 @ 78%

Loans closed on/after July 29, 1999:

1. @ 80% at the borrower's request
2. PMI must be automatically cancelled when the LTV reaches 78%

## **2.11 SERVICEMEMBERS CIVIL RELIEF ACT**

This Act is to allow persons in the military service to suspend enforcement of civil liabilities. Its purpose is to prevent persons serving in the United States through active duty in the armed forces from suffering economically due to that service. Mortgage debt is covered under the Act.

The Act applies to persons who incurred the mortgage debt prior to entering active duty. This group includes people who enlist after receiving a mortgage loan, and members of the reserve or National Guard who are called to active duty. However, if a person receives an Authority loan while on active duty, that person would not be entitled to the benefits of the Act. It is assumed that a person who qualifies for a loan while on active duty will not have that active duty materially affect his/her ability to repay the loan.

The maximum interest rate that may be charged under the Act to anyone on active duty is six per cent (6%) per annum unless the court finds the person's ability to pay is not materially affected. To qualify for the interest rate cap, the borrower must show that he/she is now on active duty. The borrower needs to send a letter along with a copy of current military orders to the sub-servicer requesting relief under the SSCRA. The reduction in the interest rate is

automatic. The 6% interest rate cap is effective only for the duration of active duty service.

In addition, a lender cannot begin foreclosure once the borrower enlists or is called to active duty. (There are, however, some exceptions that require court approval.)

The sub-servicer is required to forward a copy of the active duty order with the borrower's requesting letter to the Authority, and information showing the effective date, interest rate, and P&I that the sub-servicer entered in their system when implementing the changes under this Act. The sub-servicer should also periodically contact the borrower to be sure that he/she is still on active duty. If the borrower is no longer on active duty, the sub-servicer will obtain documentation of that fact from the borrower or, if necessary, from the appropriate branch of service. The rate should return to the original interest rate and P&I for the first month after the borrower is deemed inactive; i.e. the borrower is released from active duty on 06/18/xx, the original interest rate and P&I takes effect with the 07/01/xx payment.

## **2.12 SUB-SERVICING TRANSFER/LENDER RE-PURCHASE**

The Authority may require a lender to re-purchase a loan under certain circumstances. When a re-purchase of a Michigan State Housing Development Authority Single Family loan takes place, the Authority will notify the sub-servicer, after which the sub-servicer will:

- A. Issue a payoff statement which the lender will use to make payment in full to the Authority.
- B. Receive a "Sub-servicing Client Service Release" form (*Exhibit 3*) from the Authority that contains pertinent information for the sub-service transfer of the loan which the sub-servicer will use to complete the service release process.
- C. Receive a "New Sub-servicer Information" form (*Exhibit 4*) from the lender from which the sub-servicer will prepare the "goodbye" letter and send it to the mortgagor.

## **2.13 SUB-SERVICER MONTHLY BILLING**

The Authority requires that the billing for each month be received by the Authority by the 5<sup>th</sup> business day of the following month. A monthly billing package must include:

- A. A cover letter to include amount billed and the wire transfer information.
- B. A billing statement that is to be categorized as follows:
  - 1. First mortgage loans and second mortgage (DPA) loans are to be listed under separate columns.
  - 2. Loan count reconciliation: start with beginning loan count, add new loan purchases for the reporting period, and subtract payoffs and/or foreclosures for the reporting period to reach the ending loan count. A month end loan servicing portfolio summary, generated from the sub-servicer's computer system, including but not limited to totals for beginning loan count, ending loan count, payoff loan count, 60+ days delinquents, bankruptcy/foreclosure, escrow advance balance, and foreclosure advance balance, is required to be submitted with the billing package.

3. Income Distribution: including but not limited to service fee, late charges, ancillary income, recording fee and property inspection fee collections, and optional insurance income are to be listed separately. An ancillary income analysis for the month end being reported, which is generated from the sub-servicer's computer system, is required to be submitted with the billing package.
4. Sub-servicing Fees and Reimbursable Expenses: itemization of, but not limited to, loan set-up fees, subservicing fees, recording fees, and property inspection. The sub-servicer is required to submit copies of reports generated from their computer system or copies of invoice with the billing package to support each item charged.
5. Escrow and Foreclosure Advances: the sub-servicer is required to submit reports of escrow advances and foreclosure advances at each month-end with the billing package for reconciliation.

### **SECTION 3**

#### **OWNERSHIP TRANSFERS**

- 3.1 Record/Ownership Changes
- 3.2 Leases
- 3.3 Assumptions

### **3.1 RECORD/OWNERSHIP CHANGES**

The sub-servicer is responsible to inform the Authority promptly, in writing, when ownership/name changes occur. The notification must be accompanied with the necessary documentation.

1. Name change by marriage:  
Copy of Marriage License  
Copy of Hazard Insurance Certificate showing new name
2. Name change by divorce:  
Copy of Divorce Decree showing change  
Copy of Hazard Insurance Certificate showing new name
3. Removing a name by divorce:  
Copy of Divorce Decree showing award of property or  
Quit Claim Deed transferring ownership
4. Adding a name by marriage:  
Copy of Marriage License  
Quit Claim Deed adding spouse  
Hazard Insurance Certificate showing name change
5. Removing a name by death:  
Copy of Death Certificate

Removing a mortgagor's name by Divorce Decree or Quit Claim Deed does not release him/her from liability on the loan. If the person wishes to be released of liability, a Formal Assumption or refinance must be done.

If other than a spouse is added, it must be processed as an Assumption and must comply with all restrictions that apply to that Bond Series, except sales price.

### **3.2 LEASES**

Under certain terms and conditions, the Authority will approve a lease of a property where the Authority holds the mortgage on the property. Prior to the approval of a lease, the sub-servicer should obtain a statement from the mortgagor(s) indicating the circumstances supporting the request for approval to lease the property. Such circumstances include, but are not limited to, death of a family member, decrease in income, employment transfer, change in marital status, or need to move and unable to sell the property.

In all events:

- A. Loans must be paid current.

- B. The private mortgage insurance company, FHA or VA, as applicable, must approve the rental. This requirement would not apply to loans for which mortgage insurance or guarantee is not required.
- C. For those originating less than a year prior to the initial leasing of the property, the request must be forwarded to the Authority for approval.
- D. In the case of a loan originating more than a year prior to the initial leasing of the property, the sub-servicer may approve the lease without submitting the request to the Authority.
- E. After the lease is approved, the sub-servicer shall notify the Authority of this change of status within five (5) business days by forwarding a copy of the lease and the approval of FHA, VA, or the private mortgage insurance company when applicable to:

Michigan State Housing Development Authority  
Attn: Dana Nico, Office of Finance  
735 East Michigan Avenue  
Lansing, MI 48913

- F. Upon approval of a lease, the sub-servicer shall notify the mortgagor(s) that if the residence is not the principal residence of at least one of the mortgagors for a period of one year or more, the mortgagor(s) is not entitled to deduct the interest paid on their mortgage for Federal Income Tax purposes, based on Section 150(b) of the Internal Revenue Code dated September 18, 1986. This prohibition is retroactive to the time the property was initially leased.

### 3.3 **ASSUMPTIONS**

## **SECTION 4**

### **MORTGAGE LOAN SERVICING-DELINQUENT ACCOUNTS**

- 4.1 Contact Information
- 4.2 Due on Sale
- 4.3 Delinquent Loans
- 4.4 Loss Mitigation
- 4.5 Loan Modification
- 4.6 Forbearance
- 4.7 Reinstatement
- 4.8 Redemption
- 4.9 Deed-in-Lieu Of Foreclosure
- 4.10 Partial Claim
- 4.11 Short Sale
- 4.12 Bankruptcy
- 4.13 Authority Foreclosure Statute
- 4.14 Requirements to Start Foreclosure
- 4.15 Default and Claim Procedures
- 4.16 Eviction

#### **4.1 MSHDA DELINQUENT ACCOUNTS STAFF CONTACT INFORMATION:**

Contact for information and send reporting forms regarding status of delinquent loans, forbearance, request to commence foreclosure, reinstatement, sale notifications, and bankruptcy to:

Michigan State Housing Development Authority  
Attn: Ayana Israel  
735 East Michigan Avenue  
P.O. Box 30044  
Lansing, MI 48909  
Phone 517 373-8120  
FAX 517 241-4756  
E-mail: [israela@michigan.gov](mailto:israela@michigan.gov)

Contact for all loans from the Sheriff Sale through the end of the foreclosure process, including notification of redemptions, short sale, third party sales, Deed-in lieu of Foreclosure requests, and marketing a foreclosed property:

Michigan State Housing Development Authority  
Attn: Jeanie Boes  
735 East Michigan Avenue  
P.O. Box 30044  
Lansing, MI 48909  
Phone 517 335-2029  
FAX 517 241-4756  
e-mail: [boesje@michigan.gov](mailto:boesje@michigan.gov)

Contact for loan modification:

Michigan State Housing Development Authority  
Noreen Williams  
735 East Michigan Avenue  
P.O. Box 30044  
Lansing, MI 48909  
Phone 517 335-2028  
FAX 517 241-4756  
e-mail: [williamsno@michigan.gov](mailto:williamsno@michigan.gov)



## **4.2 DUE ON SALE**

All Authority loans must be paid in full or called due upon the sale of the property unless the new buyer has been approved to assume the loan. If the Mortgagor(s) does not obtain this approval, the sub-servicer must initiate foreclosure proceedings, whether or not the loan is current.

## **4.3 DELINQUENT LOANS**

The purpose of all collection efforts is to bring the account current in the shortest period of time. Discussions with mortgagors should include a determination of the cause of the delinquency, as well as an attempt to obtain a definite commitment from the mortgagor to bring the account current. If the account cannot be brought current immediately, and the mortgagor's circumstances and past record justify it, the sub-servicer should attempt to cure the delinquency in the shortest period possible.

The sub-servicer should treat each delinquency individually. The collection effort should be based on the sub-servicer's knowledge of the mortgagor's credit history, employment situation, individual circumstances, property, and the extent of the delinquency. The sub-servicer is expected to use notices; letters, telegrams, telephone and other responsible collection techniques employed by prudent mortgage loan sub-servicers. Special attention should be given to thirty (30) day accounts to attempt to cure the default prior to the 31<sup>st</sup> day of delinquency. The sub-servicer is encouraged to vary its collection techniques to fit individual circumstances and to avoid establishing a fixed routine, which may become ineffective for dealing with mortgagors who are repeatedly delinquent. The sub-servicer should recognize that efficient servicing of a delinquent mortgage relies heavily on personal contact with the mortgagor. Letters and notices, while having a place in any servicing program, generally are not as effective as personal contact and should not be used exclusively. The sub-servicer must maintain records of all collection efforts and make records available for the Authority inspection upon request. The sub-servicer's records must demonstrate dates of letters and notices, dates of personal and telephone contact, reasons for default, forbearance terms, and documentation of property inspections.

When the loan is sixty (60) days delinquent, the sub-servicer is to attempt to contact the mortgagor(s) in an effort to arrange a repayment plan to bring the loan current. A written report of all collection efforts should be kept in the file, which can be made available to the Authority upon request. In the event that the delinquency exceeds ninety (90) days, the Default Recommendation (*Exhibit 7*) must be submitted to the Authority.

Collection techniques shall be in adherence to all federal and state Fair Debt Collection Acts. The sub-servicer is responsible for satisfying all applicable mortgage insurance requirements.

Partial mortgage payments (less than full amount delinquent to bring the loan current plus costs) should be accepted unless acceptance of the partial payment

will only serve to delay foreclosure proceedings in cases where there is no reasonable basis to believe the loan can be saved. The reliability of the mortgagor(s) should be taken into account in deciding whether or not to accept the partial payment. The Authority will not accept/apply payments that are less than a full monthly payment. The sub-servicer is to handle the partial payment as follows:

1. Hold in a suspense account, or
2. Temporarily apply to escrow until enough dollars have been received to make a full level payment.

In addition to the regular Delinquency Report (Schedule E) submitted with the monthly accounting package, all loans that are three (3) or more months delinquent must be reported on the appropriate status report (*Exhibit 5*, Forbearance and 3+ months delinquent) or (*Exhibit 6*, Foreclosure and REO's) and submitted directly to the Authority's foreclosure staff. It is necessary to continue to include all loans previously reported on this report until they are reinstated or the foreclosure process has been completed.

Property inspections are to be initiated upon the 45<sup>th</sup> day of delinquency and every month thereafter. If the loan remains delinquent, an inspection will be required within thirty (30) days of the initial contact.

If the sub-servicer fails to make inspections when required and the property is later found to be vacant and vandalized, the Authority will take the position that the damage resulted from the sub-servicer's failure to preserve and protect the property.

#### **4.4 LOSS MITIGATION**

The Authority grants sub-servicer broad discretion to extend appropriate relief to mortgagors who encounter hardship and who are cooperative and have proper regard for their obligations. Sub-servicer should be readily available to mortgagors to offer skilled financial counseling and advice. Sub-servicers should make personal contact with delinquent mortgagor as soon as possible in order to achieve a solution that will bring the mortgage loan current.

It is expected that sub-servicers will be fully familiar with the various forms of relief to mortgagors provided for herein, and will employ such relief wherever appropriate rather than recommending termination of the Mortgage Loan. However, no such relief should be granted to any mortgagor unless there is a reasonable expectation that the relief granted will result in bringing and maintaining the Mortgage Loan current.

#### 4.5 **LOAN MODIFICATION**

The modification of an Authority mortgage loan shall be recommended by the Contractor when, in its estimation, a change in the terms of payment of the mortgage loan presents the best means of fully recovering the maximum principal and interest. A loan modification is a written agreement that permanently changes one or more of the original terms of the note that includes:

- Reduction in monthly payment
- Extension of maturity date
- Increase in the amount of principal balance caused by capitalization of the interest, escrow amounts and other advances

The mortgage loan arrearage may be added to the principal balance and amortized over the term of the mortgage loan. The mortgage loan term may be extended. A change of original fixed interest rate is not allowed. A loan modification should be considered when the borrower:

- Has a financial hardship that is long term or permanent
- Has a stable monthly income
- Commits to retain ownership of the property

And review of the existing mortgage indicates:

- Three or more full monthly payments are due and unpaid
- The loan is at least twelve (12) months old
- The loan is not in foreclosure
- Water and sewer payments are current

The Authority's prior approval of a proposed Loan Modification is required. The request for a loan modification must be submitted to the Authority for review. The sub-servicer must submit the following documents:

- Loss Mitigation Worksheet Proposal (*Exhibit 8*)
- Loan Modification Worksheet (*Exhibit 9*)
- Hardship Letter
- Broker's Price Opinion ("BPO")
- Proof of approval from the PMI Company. If the mortgage insurer does not provide a formal approval statement, then the Contractor must submit a statement indicating that the proposed Loan Modification meets the criteria of the applicable mortgage insurer.

If the Authority approves a recommended Loan Modification, the sub-servicer shall have the Loan Modification Agreement prepared and obtain the signatures of all living signers of the existing note. Documents must be executed by the borrower within thirty (30) days of approval by the Authority. All necessary recording shall be made by the sub-servicer at the Mortgagor's expense. To complete a Loan Modification, the following documents are required:

- Disclosure of Terms and Conditions of Modification submitted to the Authority
- Executed Truth in Lending submitted to the Authority

- Original executed Loan Modification Agreement sent to the County Clerk's office for recording
- One original executed agreement to be held by the Contractor
- One original executed agreement submitted to the Authority
- The sub-servicer is required to have the Loan Modification Agreement recorded if the modified unpaid principal balance exceeds the original loan amount

The sub-servicer shall satisfy all requirements of the mortgage insurer and must forward a copy of the Loan Modification Agreement to the mortgage insurance company.

The sub-servicer may charge the borrower up to \$500 to cover administrative expenses. Additional fees can be collected from the borrower for credit reports, Broker's Price Opinion and title endorsement.

#### **4.6 FORBEARANCE**

Forbearance agreements are encouraged when the homeowner has the ability to both keep up the current mortgage payments and pay an additional amount toward the arrearage. The sub-servicer may enter into forbearance agreements for up to twenty-four (24) months in duration without the Authority's prior approval. The Authority will, under appropriate circumstances, allow forbearance agreements extending over a period longer than twenty-four (24) months; however, prior Authority approval is required. An example of an appropriate time to consider executing a forbearance agreement would be if the mortgagor(s) has been temporarily unemployed and is scheduled to return to work or to have another source of income in the near future (approximately sixty (60) days). The request must be accompanied by written confirmation from the employer.

Forbearance agreements must be in writing and signed by the mortgagor(s). Agreements must clearly state the amount of the delinquency and the schedule of payments to be made to resolve the delinquency. Partial payments that are made toward the delinquent balance should be held until a full month's payment is accumulated, then applied to the account.

#### **4.7 REINSTATEMENT**

The Mortgagor(s) may reinstate the loan any time prior to the Sheriff's Sale by paying the necessary funds to bring the loan current or selling the property to a qualified buyer who will pay all arrearages and costs incurred during the delinquency, and will assume the existing mortgage. The Authority is to be notified of the reinstatement immediately on *Exhibit 10, Default Status Notification*.

#### **4.8 REDEMPTION**

The only means of avoiding foreclosure AFTER the Sheriff's Sale has taken place is to pay the loan in full PRIOR to the expiration of the redemption period. The sub-servicer will be required to process the redemption, forwarding redemption proceeds to the Authority along with a copy of the redemption expenses collected. The billing of all expenses incurred during the redemption process at that time or shortly afterwards must also be included.

Redemptions are to be reported to Jeanie Boes. Funds must be wired separately from regular mortgage payments and payoffs.

#### **4.9 DEED-IN-LIEU OF FORECLOSURE**

If the default of a mortgage is not likely to be resolved, to avoid foreclosure proceedings, the sub-servicer should seek voluntary conveyance of title from the mortgagor. However, prior to execution of the Deed-in-Lieu of foreclosure, it is necessary to obtain approval from the Insurer. In the event there is no Insurer, the sub-servicer should procure a Title Search demonstrating that no subsequent mortgages exist. If the Title search reveals any subsequent mortgages, the sub-servicer should foreclose rather than accept the Deed-In-Lieu of Foreclosure. The sub-servicer will prepare a discharge of mortgage to be executed by the Authority to cancel the unpaid debt. The following information must be included on each document submitted for a Deed-In-Lieu of Foreclosure:

- Sub-servicer's Loan Number
- Insurer's Loan Number
- MSHDA's Loan Number
- Property address (below legal description)

##### **A. Quit Claim Deed**

The sub-servicer is to prepare the deed, have it properly executed, submit it for recording, and forward a copy to the Authority for the file.

##### **B. Discharge of Mortgage**

When the Mortgagor(s) executes a Deed-In-Lieu, he/she may request a discharge. To enable the Authority to comply with this request, the sub-servicer must submit a copy of the executed Quit Claim Deed along with the original discharge (drafted by the sub-servicer) to be executed by the appropriate staff at the Authority. (*Exhibit 11*)

#### **4.10 PARTIAL CLAIM**

The sub-servicer, representing the Authority, negotiates with the borrower and mortgage insurance company to advance funds representing the delinquent balance. All the Mortgage Insurer's conditions must be met, together with any

additional conditions set by the Authority. (Reinstatement of account through a partial claim advance cannot be completed until the Contractor/Authority is in receipt of Mortgage Insurer's written approval.)

Partial claim should be used when:

- Borrower has sustained a temporary financial hardship.
- Borrower has temporary unemployment or curtailed income.
- Borrower can afford the monthly payment.
- Loan is at least three (3) months in default.
- The loan is at least twelve (12) months old.
- The Authority has first lien status.

#### **4.11 SHORT SALE**

A short sale is the sale of the property for less than the total debt amount to avoid foreclosure. All short sales must be approved by the Authority and should be used when:

- Borrower has financial hardship that is long-term or permanent,
- Short sale is in adherence to the Mortgage Insurer's guidelines and is the most cost effective method to prevent a REO,

And review of the existing mortgage indicates the following:

- The loan is at least twelve (12) months old.
- The Authority maintains first lien status.
- Condominium payments (if applicable) are current.
- Water and sewer payments are current.
- Debt to value ratio is within MI guidelines (BPO).  
(If there is no mortgage insurance coverage, the mortgage must be ninety (90) days delinquent and the indebtedness must be 115% or greater of the "as is" sales price.)

And the borrower must:

- Waive reimbursement of any escrow and refunds of prepaid items.
- Assign any insurance claim proceeds to sub-servicing agent of the Authority.
- Understand that (upon review of financial hardship) a mortgagor contribution may be required from the Mortgage Insurance Company.

The following documentation is needed when requesting approval of a short sale:

- Standard mortgage insurance package per the Mortgage Insurer's guidelines.
- Hardship letter from borrower.
- Copy of Sales Contract.
- Copy of BPO (appraisal on the Authority's request).

Following completion, sub-servicer must remit the following:

- Sub-servicer reimbursement of escrow advances.
- Escrow advance documentation.

- Copy of HUD Settlement Statement.
- Settlement proceeds.
- Copy of mortgage insurance claim.
- Copy of the Mortgage Insurer's approval letter.
- Mortgage insurance proceeds.

#### **4.12 BANKRUPTCY**

The commencement of a bankruptcy case results in an “automatic stay” against all creditor action to collect a debt or action that might interfere with the administration of the debtor's estate. This means that any action to collect on a debt incurred before the filing of the bankruptcy petition, to take possession of the collateral, or to further the creditor's position can be considered a violation of the automatic stay. Therefore, the sub-servicer must suspend any and all debt collection efforts (including foreclosure proceedings) as soon as it is notified that a bankruptcy has been filed (unless its legal counsel expressly advises that certain collection efforts may be continued.)

The sub-servicer is expected to take all actions that are necessary to protect our interests in a timely manner and to keep the Authority and legal counsel advised of the status of the case. The sub-servicer is to forward copies of the Proof of Claim issued by the Bankruptcy Court, and continue reporting on the Bankruptcy Status Report (*Exhibit 12*) on a monthly basis until the loan is no longer in bankruptcy. In addition, the sub-servicer will submit the Default Status Notification (*Exhibit 10*), as soon as the loan goes into bankruptcy.

#### **4.13 AUTHORITY FORECLOSURE STATUTE**

In 1981, the Authority's Act was amended to set forth a separate foreclosure statute for mortgages held by the Authority. The foreclosure of all mortgages held by the Authority and commenced after December 10, 1981, must be pursuant to Sections 48 and 49 of the Act.

Pursuant to this amendment, the Authority has been given the power to exercise a due-on-sale clause in the mortgage upon the sale, assumption, conveyance by land contract, or other transfer of the property secured by the mortgage if the sale, assumption, conveyance or transfer is not approved by the Authority. This amendment also gives to the Authority the power to call the mortgage in the event that the borrower(s) made a false pretense, false statement, misrepresentation or material misstatement during the loan application process.

#### **4.14 REQUIREMENTS TO START FORECLOSURE**

For loans approximately ninety (90) days delinquent, the sub-servicer will send the Authority a monthly Document Request List (Exhibit 13). This list must be e-mailed to Ayana Israel ([israela@michigan.gov](mailto:israela@michigan.gov)) and Pete Karsten ([karstenp@michigan.gov](mailto:karstenp@michigan.gov)). Requests are to be submitted in time to allow for the documents to be forwarded to the sub-servicer in following with the Insurer's timeline for initiating foreclosure. On a weekly basis, the sub-servicer must e-mail to Ayana Israel and Pete Karsten a list of the loans that are being referred to the attorney for foreclosure. At a minimum, this list must contain the MSHDA loan number, the sub-servicer's loan number and the name of the mortgagor, similar to the *Document Request List (Exhibit 13)*.

The sub-servicer must comply with the Fair Foreclosure Act, P.L. 1995 ch. 244 and all mortgage insurance guidelines with regard to completing the notice of default and instituting foreclosure litigation within the regulations set forth by the mortgage insurer.

#### **4.15 DEFAULT AND CLAIM PROCEDURES**

The Authority requires the sub-servicer to submit the monthly Status Reports (*Exhibits 5 and 6*) and copies of all claims sent to FHA, VA, or the private mortgage insurance company. In addition, the sub-servicer will submit the Default Status Notification (*Exhibit 10*) to inform the Authority of default status. *Foreclosures should not be removed from the sub-servicer's Trial Balance until notified in writing by the Authority.*

##### **A. FHA Insured Loans**

- (1) The FHA Home Mortgage Default Notice form must be sent to FHA on or before the date on which three (3) installments are in default.
- (2) The FHA Home Mortgage Default Notice form must be filed subsequently:
  - Within thirty (30) days after foreclosure has started,
  - When foreclosure is completed, and
  - Immediately after clear title is obtained by the sub-servicer.
- (3) After the Authority has acknowledged the foreclosure and the sub-servicer has received the copies of the original loan documents, the sub-servicer should refer the case to its legal counsel.
- (4) The sub-servicer is to notify the Authority of the publication date, sheriff sale and redemption expiration dates. The sub-servicer must notify the Authority immediately if these dates change.
- (5) Legal counsel is to be advised to bid total debt at the sheriff sale.



- (6) Monthly inspections of the property are to be initiated. Upon discovering that a property has become vacant, the sub-servicer shall conduct an inspection that shall include entry into the home to assess the condition of the property. The sub-servicer shall notify the Authority of the occupancy and any damage to the property. The sub-servicer is responsible for the maintenance, protection, and preservation of the vacant property.
- (7) After the Sheriff's Sale, the mortgagor generally has six (6) months in which to redeem the property.
- (8) After the sub-servicer receives the recorded Sheriff's Deed, a copy should be sent to the Authority for the file.
- (9) Data to support the claim for insurance benefits should be sent to FHA by the sub-servicer immediately after the deed has been filed.

**B**      VA Guaranteed Loans

- (1) The VA Notice of Default form may be filed as early as the 60th day of default, and must be filed no later than the 105th day counting from the due date of the earliest unpaid installment.
- (2) The VA Notice of Intention to Foreclose must be filed on the 90th day counting from the due date of the earliest unpaid installment.
- (3) After the Authority has acknowledged the foreclosure and the sub-servicer has received the copies of the original loan documents, the sub-servicer should refer the case to its legal counsel.
- (4) The foreclosure sale should not be held until the sub-servicer has received notice of the specified amount from VA or a letter stating that no amount will be specified.
- (5) The sub-servicer is to notify the Authority of publication date, sheriff sale and redemption expiration dates. The sub-servicer must notify the Authority immediately if these dates change.
- (6) Monthly Inspections of property are to be initiated.
- (7) The VA Claim Under Loan Guaranty form should be submitted to VA as soon as possible after the foreclosure sale since VA does not pay interest after the date of the foreclosure sale.

**C.**      Conventional Loans

- (1) Notice of Default must be submitted to the private mortgage insurance company in accordance with the policy provisions.

- (2) Before foreclosure proceedings are started, the sub-servicer must confer with the Authority to determine if foreclosure is the proper course of action to obtain a solution to the delinquency problem.
- (3) The sub-servicer is to notify the Authority of publication date, sheriff sale and redemption expiration date. The sub-servicer must notify the Authority immediately if these dates change.
- (4) Sub-servicer is to advise legal counsel to bid total debt at sale.
- (5) After Sheriff Sale, the mortgagor generally has six (6) months in which to redeem the property.
- (6) Monthly inspections of the property are to be initiated.
- (7) The sub-servicer will send a copy of the recorded Sheriff's Deed to the Authority.
- (8) The sub-servicer must submit fiscal data to support the claim for insurance benefits to FHA immediately after the deed has been filed.

D Procedures Following Redemption Expiration Date

(1) Loss Procedures

All advances must be made from the escrow account until the account is depleted. In the event that the escrow account becomes depleted, it will be necessary for the sub-servicer to make periodic advances. These advances may include the following:

- (a) Hazard Insurance Premiums
- (b) Taxes - The Authority is exempt from real estate taxes for the calendar year beginning January 1, following the sheriff's sale. The sub-servicer is to notify the local assessor's office when the Authority acquires the property.
- (c) Mortgage Insurance premiums
- (d) All Other Advances - Other various types of advances, normal property protection and preservation expenses such as cleaning, heating, and lawn care; expenses included in the sale of the property such as real estate commissions, title insurance, and escrow charges; and foreclosure costs such as court costs and attorney fees.
- (e) Extensive Property Damage - If there has been extensive damage done to the property, the sub-servicer must consult with the Insurer and MSHDA to determine the action to be taken.

- (f) If the Mortgagor files bankruptcy after the Sheriff's sale, the sub-servicer is to keep all items current until the action is dismissed and property is vacant.

(2) Reimbursement of Costs Incurred

In order to receive reimbursement for costs incurred on a loan in foreclosure, the sub-servicer must send the Authority the following:

- (a) *Request For Reimbursement of Advances (Exhibit 14)*. Include MSHDA loan number, Mortgagor name and property address.
- (b) Copies of checks and/or paid receipts.
- (c) Computer print-out of the payment history from the date of default.
- (d) Copy of claim for benefits to Insurer (if applicable)

Foreclosure expenses will be reimbursed directly from the Authority and should not be deducted from any proceeds. Upon review and approval of the request for reimbursement of advances, the Authority will issue a check to the sub-servicer.

The sub-servicer will not be reimbursed for any costs incurred during the foreclosure process until after the redemption period has expired.

The Authority may make the determination not to reimburse the sub-servicer for any costs incurred as the result of late fees and/or penalties.

(3) Submitting and Paying Claims

If the property is conveyed to the FHA, VA, or private mortgage insurance company, or if the property is not conveyed to the private mortgage insurance company, but a claim is filed under the terms of the policy, the sub-servicer will attend to the settlement with the Insurer as part of the services under the Agreement. This consists in general of the preparation and transmittal to the FHA, VA, or private mortgage insurance company of all papers and data required in connection with the application for an issuance of debentures and certificates of claims. Claims are to be filed in the Authority's name insuring that the money comes directly to the Authority.

If the sub-servicer entered into a special forbearance agreement with the mortgagor(s) and the mortgagor(s) defaulted, which resulted in the need to file a claim, the sub-servicer will attach a copy of the agreement with the claim to the Insurer, enabling the settlement to include unpaid interest accrued prior to the execution of the agreement.

The sub-servicer must send the Authority a copy of ALL claims for loss (Primary or Supplemental) that are submitted to the Insurer.

E     Marketing a Foreclosed Property

The sub-servicer is to coordinate the marketing of the property. When listing the property, the sub-servicer will obtain a BPO and Appraisal for comparison and forward it along with the listing agreement for the Authority's review. If the property is a USDA insured loan or private mortgage insurance with 100% coverage, listing agreements are to be approved by them, with a copy to the Authority. To minimize the loss when marketing a foreclosed property, it is necessary to follow the procedures set forth by the Insurer (if applicable). For loans that the Authority will approve, and after all terms of the offer have been discussed and appropriate decisions have been made, the ORIGINAL documents are to be submitted to the Authority for proper execution. Property is to be properly maintained and monthly inspections done throughout the marketing period.

F     To Set Aside Sheriff's Sale

The sub-servicer must contact the Authority regarding the specific procedures to be followed, as each loan is handled on an individual basis.

**4.16   EVICTON**

If it appears that the mortgagor(s) does not intend to vacate the property by the time the redemption period expires, it is the sub-servicer's responsibility to contact its legal counsel to initiate eviction proceedings. In extenuating circumstances, the Insurer and/or the Authority may postpone the eviction process, however, this must be evaluated on an individual basis.

## **SECTION 5**

### **SCHEDULES AND EXHIBITS**

Schedule A	Month-end Collection Report
Schedule B	Month-end Prepaid Installments
Schedule C	Month-end Curtailments
Schedule D	Month-end Paid in Full Report
Schedule E	Month-end Delinquency Report
Schedule F	Month-end Payment Reversals
Schedule G	Month-end Curtailments Reversals
Schedule H	Month-end P&I Payments Not Collected on Payoffs
Schedule I	Month-end Trial Balance
Schedule J	Month-end Remittance Reconciliation
Schedule L	Remittance Report for Loan Paid if Full
Exhibit 1	MSHDA DPA Programs
Exhibit 2	Request to Cancel Private Mortgage Insurance
Exhibit 3	Sub-Servicing Client Service Release
Exhibit 4	New Sub-Servicer Information
Exhibit 5	Status Report-Forebearance/3+ Mos Delinquent
Exhibit 6	Status Report-Foreclosures and REOs
Exhibit 7	Default Recommendation
Exhibit 8	Loss Mitigation Worksheet
Exhibit 9	Loan Modification Worksheet
Exhibit 10	Default Status Notification
Exhibit 11	Discharge of Mortgage For Corporation
Exhibit 12	Bankruptcy Status Report
Exhibit 13	Document Request List
Exhibit 14	Request For Reimbursement of Advances
Exhibit 15	Servicer Exceptions Record Layout

# MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

## SINGLE FAMILY SERVICING MANUAL

## SCHEDULE A

## MONTH END COLLECTION REPORT

**Sub-Servicer Name**\_\_\_\_\_ **Sub-Servicer Number**\_\_\_\_\_

**Bond Series**\_\_\_\_\_ **Month Ending**\_\_\_\_\_

Servicer Number	MSHDA Number	Borrower's Name	Payment Due Date	Transaction Date	Principal	Interest	Service Fee	Amount Remitted
TOTALS:					\$	\$	\$	\$

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
SINGLE FAMILY SERVICING MANUAL

SCHEDULE B  
MONTH END PREPAID INSTALLMENTS

Sub-Servicer Name\_\_\_\_\_ Sub-Servicer Number\_\_\_\_\_

Bond Series\_\_\_\_\_ Month Ending\_\_\_\_\_

Servicer Number	MSHDA Number	Transaction Date	Payment Due Date	P & I Amount*
*Must be divisible by P&I Constant			*TOTAL \$	

## SCHEDULE C

## MONTH END CURTAILMENTS

**Sub-Servicer Name**\_\_\_\_\_ **Sub-Servicer Number**\_\_\_\_\_

**Bond Series**\_\_\_\_\_ **Month Ending**\_\_\_\_\_

Servicer Number	MSHDA Number	Transaction Date	Applied After Payment Due Date	Amount
				TOTAL \$



SCHEDULE D  
MONTH END PAID IN FULL REPORT

Sub-Servicer Name \_\_\_\_\_ Sub-Servicer Number \_\_\_\_\_  
Bond Series \_\_\_\_\_ Month Ending \_\_\_\_\_

				A	B	C	D	E
MSHDA Number	Borrower Name	Payoff Date	Last Paid Installment	Principal Paid	Interest Paid	Service Fee and/ or Recording Fee	Prepayment Penalty	Total
TOTALS:				\$	\$	\$	\$	\$

SCHEDULE E  
MONTH END DELINQUENCY REPORT

Sub-Servicer Name\_\_\_\_\_ Sub-Servicer Number\_\_\_\_\_

Bond Series\_\_\_\_\_ Month Ending\_\_\_\_\_

Servicer Number	MSHDA Number	Borrower's Name	Last Paid Due Date	Amount Delinquent* (Total P & I)
*Must be divisible by P & I Constant			*TOTAL \$	

## SCHEDULE F

## MONTH END PAYMENT REVERSALS

**Sub-Servicer Name**\_\_\_\_\_ **Sub-Servicer Number**\_\_\_\_\_

**Bond Series**\_\_\_\_\_ **Month Ending**\_\_\_\_\_

Servicer Number	MSHDA Number	Borrower's Name	Transaction Date	Reverse Payment After Mo/Yr	Interest Paid To Date	Amount
					<b>TOTAL:</b>	<b>\$</b>

**SCHEDULE G**

## MONTH END CURTAILMENT REVERSALS

**Sub-Servicer Name**\_\_\_\_\_ **Sub-Servicer Number**\_\_\_\_\_

**Bond Series**\_\_\_\_\_ **Month Ending**\_\_\_\_\_

Servicer Number	MSHDA Number	Borrower's Name	Transaction Date	Reverse Curtail After Mo/Yr	Interest Paid To Date	Amount
					<b>TOTAL:</b>	<b>\$</b>

SCHEDULE H

MONTH END P & I PAYMENTS NOT COLLECTED ON PAYOFFS

Sub-Servicer Name \_\_\_\_\_ Sub-Servicer Number \_\_\_\_\_

Bond Series \_\_\_\_\_ Month Ending \_\_\_\_\_

Servicer Number	MSHDA Number	Borrower's Name	Last Payment Date	Total P & I not collected*

\*Must be divisible by P&I Constant \*TOTAL \$

**SCHEDULE I**  
**MONTH END TRIAL BALANCE**

**Sub-Servicer Name**\_\_\_\_\_ **Sub-Servicer Number**\_\_\_\_\_

**Bond Series**\_\_\_\_\_ **Month Ending**\_\_\_\_\_

MSHDA Number	Borrower's Name	Interest Rate	Service Fee Rate	Paid to Date	P & I Constant	Principal Balance	Escrow Balance
TOTALS:				\$	\$	\$	

**SCHEDULE J**

**REMITTANCE RECONCILIATION**

SUB-SERVICER NAME: \_\_\_\_\_

MONTH END: \_\_\_\_\_

SUB-SERVICER NUMBER: \_\_\_\_\_

BOND SERIES: \_\_\_\_\_

**PART A – COLLECTIONS AND REMITTANCES**

- |    |  |         |
|----|--|---------|
| 1. | Principal Collected (Schedules A & D)              | _____   |
| 2. | Interest Collected (Schedules A & D)               | _____   |
| 3. | Amount of P & I Collected (Line 1 + Line 2)        | _____   |
| 4. | Servicing Fee Charged (Schedules A & D)            | (_____) |
| 5. | Prior Month's Overage (from MSHDA billing)         | (_____) |
| 6. | Prior Month's Shortage (from MSHDA billing)        | _____   |
| 7. | Total Cash Due (Lines 3-6)                         | _____   |
| 8. | Amount Servicer Remitted in Current Calendar Month | _____   |

**PART B – TRANSACTION TYPE TOTALS**

- |              |  |         |
|--------------|--|---------|
| 9.           | Amount Due (Line 11 from MSHDA Billing)  | _____   |
| <b>PLUS</b>  |  |         |
| 10.          | Prepayments                              | _____   |
| 11.          | Curtailments                             | _____   |
| 12.          | Payoffs Collected (Principal + Interest) | _____   |
| <b>MINUS</b> |  |         |
| 13.          | Delinquencies                            | (_____) |
| 14.          | Payment and Curtailment Reversals        | (_____) |
| 15.          | P & I Payments Not Collected on Payoffs  | (_____) |
| 16.          | Servicing Fees Charged ( Same as Line 4) | (_____) |
| 17.          | TOTAL (Lines 9-16 – Equals line 7 above) | (_____) |

**PART C - PRINCIPAL CONTROLS**

NUMBER  
OF LOANS

PRINCIPAL

P & I  
CONSTANT

- |     |  |         |         |         |
|-----|--|---------|---------|---------|
| 18. | MSHDA Current Billing Trial Balance Totals         | _____   | _____   | _____   |
| 19. | Plus - Loans Added                                 | _____   | _____   | _____   |
| 20. | Minus - Loans Removed                              | (_____) | (_____) | (_____) |
| 21. | Minus - Principal Reduction (Line 1 minus Line 19) | (_____) | (_____) | (_____) |
| 22. | SUB-SERVICER CURRENT MONTH<br>TRIAL BALANCE TOTALS | _____   | _____   | _____   |

PREPARER'S NAME

PHONE #

DATE

ATTN: Dana Nico

Fax Number (517) 241-4756

**SCHEDULE K**  
**REMITTANCE REPORT FOR LOAN PAYMENT IN FULL**

Funds were wired to JP Morgan Chase Bank, NA Account #0825723 on \_\_\_\_\_ in the  
amount of \$\_\_\_\_\_ for payment in full of the following loan.  
(total amount of wire if more than one remittance is included).

Mortgagor's Name: \_\_\_\_\_

Property Address: \_\_\_\_\_

MSHDA Loan #: \_\_\_\_\_ Sub-Servicer Loan #: \_\_\_\_\_

Payoff Date: \_\_\_\_\_ Last Paid to Date: \_\_\_\_\_

First Mortgage Principal Paid: \_\_\_\_\_

First Mortgage Interest Paid: \_\_\_\_\_

Prepayment Penalty: \_\_\_\_\_

Service Fee Deducted: ( \_\_\_\_\_ )

Recording Fee Deducted: ( \_\_\_\_\_ )

Total for First Mortgage: \_\_\_\_\_

Second Mortgage Principal Paid: \_\_\_\_\_

Amount Remitted For This Payoff: \_\_\_\_\_

Sub-Servicer Number and Name: \_\_\_\_\_

Prepared by: \_\_\_\_\_ Phone #: \_\_\_\_\_

Send Discharge of Mortgage to:

Person or Dept. Name \_\_\_\_\_

Address \_\_\_\_\_

(2/10/06)



ATTN: Dana Nico

FAX 517 241-4756

**SCHEDULE L**

**REGULAR REMITTANCES BY BOND SERIES**

Funds were wired to JP Morgan Chase Bank, NA Account #0825723 on \_\_\_\_\_  
in the amount of \$ \_\_\_\_\_ for regular mortgage payments.  
Date  
Total amount of wire

<u>SERIES</u>	<u>AMOUNT REMITTED</u>	<u>SERIES</u>	<u>AMOUNT REMITTED</u>
002	_____	034	_____
008	_____	035	_____
011	_____	036	_____
013	_____	038	_____
014	_____	039	_____
015	_____	040	_____
016	_____	041	_____
017	_____	042	_____
019	_____	043	_____
029	_____	044	_____
031	_____	090	_____
032	_____		

Sub-servicer Name: \_\_\_\_\_

Prepared by: \_\_\_\_\_

Phone Number: \_\_\_\_\_

02/10/06

## EXHIBIT 1

### MSHDA DPA PROGRAMS

PROGRAM	PROJECT CODE	DPA SPECIFICATIONS	BEGIN DATE	END DATE
MSHDA-HOME	0013 = FHA 0014 = Conv	1. \$5,000 maximum 2. HOME Funds 3. Forgiven at full term of first mortgage (30 years) 4. Due when senior mortgage is paid in full prior to 30 years	03-01-1994	09-01-2000
TANF	0016 = FHA 0017 = Conv	1. \$10,000 maximum 2. FIA Funds 3. Forgiven at full term of first mortgage (30 years) 4. Due when senior mortgage is paid in full prior to 30 years	09-01-2000	04-11-2001
TANF (with dependents)	0020 = FHA 0021 = Conv	1. \$10,000 maximum 2. FIA Funds 3. 5 year forgivable (20% forgiven each year) 4. Due when senior mortgage is paid in full prior to 30 years	04-12-2001	06-30-2003
MSHDA - Regular	0018 = FHA 0019 = Conv	1. \$5,000 maximum 2. MSHDA DPA Note and Mortgage 3. Forgiven at full term of first mortgage (30 years) 4. Due when senior mortgage is paid in full prior to 30 years	09-01-2000	06-30-2003
MSHDA - SF DPA	0022 = FHA 0023 = Conv	1. \$5,000 maximum or \$6,000 w/ IDA 2. MSHDA SF-DPA Note and Mortgage 3. Forgiven at full term of first mortgage (30 years) 4. Due when senior mortgage is paid in full prior to 30 years	07-01-2003	➡
MSHDA SF (Current Programs)	0035 = FHA 0036 = Conv	1. \$5,000 maximum or \$6,000 w/ IDA 2. MSHDA SF-DPA Note and Mortgage 3. Forgiven at full term of first mortgage (30 years) 4. Due when senior mortgage is paid in full prior to 30 years	12-08-2003	➡
	0038 = RD		08-20-2004	➡
ADR - DPA (Acquistion/ Development/Resale)	0024 = FHA 0025 = Conv 0037 = RD	1. \$30,000 maximum 2. ADR Note & Mortgage 3. \$5000 maximum forgiven <u>after</u> 5 years 4. Due when senior mortgage is paid in full prior to 30 years	04-15-2004	➡
EA - DPA (Employer Assisted)	0034 = Conv	1. Match employer's DPA \$ up to \$2500 2. MSHDA SF-DPA Note and Mortgage 3. Forgiven at full term of first mortgage (30 years) 4. Due when senior mortgage is paid in full prior to 30 years	06-04	➡

2/10/2006

**EXHIBIT 2**

**REQUEST TO CANCEL PRIVATE MORTGAGE INSURANCE**

Date: \_\_\_\_\_

Sub-Servicer Name: \_\_\_\_\_ Sub-Servicer Number: \_\_\_\_\_

MSHDA Loan Number: \_\_\_\_\_ Sub-Servicer Loan Number: \_\_\_\_\_

Mortgagor Name: \_\_\_\_\_

Property Address: \_\_\_\_\_

\_\_\_\_\_

**Attach Past 12 months Payment History**

Current Principal Balance: \_\_\_\_\_

Original Purchase Price: \_\_\_\_\_ Original Appraised Value: \_\_\_\_\_

Current LTV Ratio: \_\_\_\_\_

Prepared By: \_\_\_\_\_ Fax #: \_\_\_\_\_

Phone Number: \_\_\_\_\_ E-mail Address: \_\_\_\_\_

Request Approved By : \_\_\_\_\_ Date: \_\_\_\_\_

Request Denied By: \_\_\_\_\_ Date: \_\_\_\_\_

Reason for Denial: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(2/10/06)

**EXHIBIT 3**

**SUB-SERVICING CLIENT SERVICE RELEASE**

**SELLER INFORMATION**

Client Name/Seller: Michigan State Housing Development Authority

Seller Contact Person: \_\_\_\_\_ Phone #: \_\_\_\_\_

**LOAN INFORMATION**

Transfer Date: \_\_\_\_\_

Mortgagor(s) Name(s): \_\_\_\_\_

Property Address: \_\_\_\_\_  
\_\_\_\_\_

MSHDA Loan Number: \_\_\_\_\_

Sub-Servicer Loan Number: \_\_\_\_\_

**NEW SUB-SERVICER/BUYER**

Name: \_\_\_\_\_

Buyer Contact Person: \_\_\_\_\_ Phone #: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Buyer HUD ID #: \_\_\_\_\_

Tax Service Co: \_\_\_\_\_

Additional Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(2/10/2006)

## EXHIBIT 4

### NEW SUB-SERVICER INFORMATION

Complete this form and return to (Authority's sub-servicer's name). This information is needed for the Authority's current sub-servicer to complete the "Goodbye" letter required by RESPA. TYPE all information exactly as you wish it to appear in the "Goodbye" letter.

Name of New Sub-Servicer: \_\_\_\_\_

Customer Service Toll-Free Telephone Number: \_\_\_\_\_

Customer Service Hours: \_\_\_\_\_ Time Zone \_\_\_\_\_

Days of Operation: \_\_\_\_\_

New Sub-Servicer Business Address: \_\_\_\_\_  
\_\_\_\_\_

New Sub-Servicer Payment Address: \_\_\_\_\_  
\_\_\_\_\_

HUD ID Number: \_\_\_\_\_

MERS Number: \_\_\_\_\_

(2/10/2006)



Contact Person: \_\_\_\_\_ Phone No.: \_\_\_\_\_

55

**EXHIBIT 7**

**DEFAULT RECOMMENDATION**

**Mark the box, which would be the best option available to collect total debt.**

Servicer Information:

<u>Servicer</u>		<u>Date Prepared</u>	
<u>Street Address</u>		<u>Sub-servicer Number</u>	
<u>City</u>	<u>State/Zip</u>	<u>Contact Person</u>	<u>Phone Number</u>

Loan Information:

| | | | | | | | | | | | | | |  
**MSHDA Loan No.**

<u>Mortgagor Name</u>	<u>Principal Balance</u>
<u>Property address</u>	<u>Loan is Due for</u>
<u>City</u>	<u>State/Zip</u>

Mortgage Insurer:

<u>Name of Primary Mortgage Insurance Company</u>	<u>FHA Number</u>
<u>Primary Mortgage Insurance Certificate Number</u>	<u>Date of HUD #1</u>
<u>Date of NOD to PMI</u>	<u>VA Number</u>
<u>Date of Acceleration Letter</u>	<u>Date of VA NOD/NOI</u>

Servicing Action to Cure Default:

Dates of all notifications sent to mortgagor

Dates of all telephone contact with mortgagor

Face to face interviews

Detail reason for default: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



Recommendation:

☐ **Forebearance:**

**Terms of Forebearance Plan**

**Documentation Required:**

**Hardship Letter  
MI Approval**

☐ **Preforeclosure Sale:**

**Current Payoff:**

**Proposed Contract Price:**

**Documentation Required:**

**1) Hardship Letter  
2) MI Approval  
3) Contract of Sale**

**4) Brokers Opinion  
5) Appraisal Upon the Authority Request**

☐ **Deed in Lieu:**

**Current Payoff:**

**Documentation Required:**

**1) Hardship Letter  
2) MI Approval  
3) Evidence of Clear Title**

**4) Brokers Opinion  
5) Appraisal Upon the Authority Request**

☐ **Advance Claim Payment:**

**Proposed MI Sum:**

**Total Sum Due:**

**Documentation Required:**

**1) Hardship Letter**

☐ **Foreclosure:**

**Property Value \_\_\_\_\_**

**Should a Deficiency Judgment be Considered Y / N**

**Has the Mortgagor Been Counseled to Sell the Property Y / N**

**Documentation Required: The Authority acknowledgment letter**

---

Property Preservation Action

**Vacant property status:**

**Secured**       /      /       **Boarded and Winterized**       /      /      

**Hazard Insurance Loss Occurred**       /      /

**EXHIBIT 8**

**LOSS MITIGATION WORKSHEET PROPOSAL**

Sub-Servicer Name \_\_\_\_\_ Sub-Servicer Number \_\_\_\_\_

Preparer's Name \_\_\_\_\_ Preparer's Phone Number \_\_\_\_\_

Borrowers Name: \_\_\_\_\_

Property Address: \_\_\_\_\_

\_\_\_\_\_

MSHDA Loan Number: \_\_\_\_\_

Sub-Servicer Loan Number: \_\_\_\_\_

Mortgage Insurer: \_\_\_\_\_

Insurance Reference Number: \_\_\_\_\_

**MORTGAGORS PROPOSAL:**

**WE RECOMMEND APPROVAL AS FOLLOWS:**

**HARDSHIP INFORMATION:**

**DELINQUENCY INFORMATION:**

Due Date:

PITI Payments past due:

Late Charges:

Other Fees:

Corp Expenses:

Escrow advances:

\$\$ Needed to fund escrow:

TOTAL PAST DUE:

MSHDA Loan Number \_\_\_\_\_

Date Breached: xx/xx/xxxx

In Foreclosure: Yes/No

Foreclosure approved on: Yes/No

Expected Foreclosure Date: xx/xx/xxxx

In Bankruptcy: Yes/No

#### **MORTGAGOR FINANCIALS:**

Net Income: Assets:

Expenses: Liabilities:

Disposable income: Net Worth:

#### **APPRAISAL/BPO VALUE:**

As of Date: xx/xx/xxxx

Value "as is": \$

Repaired: \$

#### **MODIFICATION REQUESTED:**

#### **PMI INFORMATION**

Private mortgage insurance company\_\_\_\_\_ has been contacted and has (approved), (denied), (awaiting answer), (N/A) the workout.

**EXHIBIT 9**  
**LOAN MODIFICATION WORKSHEET**

**DATE:** \_\_\_\_\_

**TO:** Noreen Williams, Michigan State Housing Development Authority

**FROM:** Sub-Servicer Name: \_\_\_\_\_  
Contact Person: \_\_\_\_\_ Phone # \_\_\_\_\_

**SUBJECT:** MSHDA LOAN #: \_\_\_\_\_

Mortgagor's Name \_\_\_\_\_

Please modify the terms and conditions of the above captioned mortgage loan. The interest rate effective date of this modification is \_\_\_\_\_.

Current Principal Balance: \$ \_\_\_\_\_

Amount Capitalized:

Interest	\$ _____	
Escrow Advance	\$ _____	
To Fund Escrow	\$ _____	
Other _____	\$ _____	
_____	\$ _____	
_____	\$ _____	
<b>TOTAL</b>		\$ _____

CAPITALIZED PRINCIPAL BALANCE (New UPB) \$ \_\_\_\_\_

Current LPI: \_\_\_\_\_

Modified LPI: \_\_\_\_\_ Next Due Date: \_\_\_\_\_

Current interest rate: \_\_\_\_\_ % Old Maturity Date: \_\_\_\_\_

Modified interest rate: \_\_\_\_\_ % New Maturity Date: \_\_\_\_\_

Current P & I: \$ \_\_\_\_\_ Current PITI: \$ \_\_\_\_\_

Modified P & I: \$ \_\_\_\_\_ Modified PITI: \$ \_\_\_\_\_

(2/10/2006)

**EXHIBIT 10**

**DEFAULT STATUS NOTIFICATION**

Date: \_\_\_\_\_

**Submit to: Ayana Israel**  
**Fax: 517-241-4756**  
**E-mail: israela@michigan.gov**

Sub-Servicer name: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Phone Number: \_\_\_\_\_

E-mail address: \_\_\_\_\_

RE: MSHDA Loan No. \_\_\_\_\_

Sub Servicer Loan No. \_\_\_\_\_

Mortgagor Name \_\_\_\_\_

Property Address \_\_\_\_\_

Check appropriate box and complete the information:

☐ First legal action was filed on: \_\_\_\_\_

☐ Foreclosure sale scheduled for: \_\_\_\_\_

Sale postponed to: \_\_\_\_\_

☐ Foreclosure sale was held on: \_\_\_\_\_

☐ MSHDA or ☐ Third Party was successful bidder

Sale date inspection on: \_\_\_\_\_ Occupancy status: \_\_\_\_\_

☐ Redemption expiration date: \_\_\_\_\_

☐ Property redeemed on: \_\_\_\_\_

☐ Mortgagor reinstated on: \_\_\_\_\_ Next Payment due: \_\_\_\_\_

☐ Bankruptcy

Chapter: \_\_\_\_\_

Date filed: \_\_\_\_\_

Dismissed/Discharged on: \_\_\_\_\_

☐ Loan paid in full on: \_\_\_\_\_

☐ Other: \_\_\_\_\_

## EXHIBIT 11

## DISCHARGE OF MORTGAGE FOR CORPORATIONS

**KNOW ALL MEN BY THESE PRESENTS,** That \_\_\_\_\_,  
do(es) hereby certify, that a certain Mortgage dated \_\_\_\_\_, \_\_\_\_\_, made and executed by \_\_\_\_\_,  
\_\_\_\_\_ to \_\_\_\_\_,  
and recorded in the Register of Deeds Office for the County of \_\_\_\_\_, State of Michigan, in Liber \_\_\_\_\_,  
Page \_\_\_\_\_, covering land situated in the \_\_\_\_\_ of \_\_\_\_\_, \_\_\_\_\_  
County, Michigan, described as:

Property Address: \_\_\_\_\_ Tax Parcel No: \_\_\_\_\_  
is discharged.

Dated: \_\_\_\_\_

Signed:

(Name of Corporation)

By: \_\_\_\_\_  
Its: \_\_\_\_\_

STATE OF MICHIGAN )  
 )ss  
COUNTY OF \_\_\_\_\_)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_,  
By \_\_\_\_\_  
(Name and Title of Officer)  
of \_\_\_\_\_  
(Name of Corporation)  
a \_\_\_\_\_ corporation, on behalf of the corporation.  
(State of Incorporation)

Notary Public  
County, Michigan

Drafted By:

Acting in \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

When recorded return to:

**EXHIBIT 12**

# BANKRUPTCY STATUS REPORT

To: Ayana Israel

Sub-servicer Name: \_\_\_\_\_

Date: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Phone No.: \_\_\_\_\_

[illegible]

EXHIBIT 13

DOCUMENT REQUEST LIST

PER E-MAIL DATED: \_\_\_\_\_

MSHDA LOAN NUMBER	SUB-SERVICER LOAN NUMBER	MORTGAGOR NAME
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29		
30		



EXHIBIT 14

REQUEST FOR REIMBURSEMENT OF ADVANCES

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

ATTN: JEANIE BOES  
735 E. MICHIGAN AVENUE  
LANSING, MI 48913

RE: MSHDA# \_\_\_\_\_  
SUB SERVICER # \_\_\_\_\_  
MORTGAGOR NAME \_\_\_\_\_  
PROPERTY ADDRESS \_\_\_\_\_  
\_\_\_\_\_

Attach copies of paid receipts, a payment history and a copy of the MI claim (if applicable.)

ATTORNEY F/C FEES	_____
ATTORNEY F/C COSTS	_____
BANKRUPTCY FEES	_____
BANKRUPTCY COSTS	_____
EVICITION FEES	_____
EVICITION COSTS	_____
PRESERVATION	_____
REPAIRS	_____
PROPERTY TAXES	_____
HAZ INSURANCE PREMIUM	_____
FHA-VA-PMI PREMIUM	_____
UTILITY BILLS	_____
TITLE POLICY	_____
PROPERTY INSPECTION	_____
APPRAISAL/BPO	_____
MISCELLANEOUS	_____

_____	_____
_____	_____

SUB-TOTAL	_____
LESS ESCROW BALANCE	_____
LESS HAZ INS REFUND	_____

_____	_____
_____	_____

TOTAL REQUESTED	_____
-----------------	-------

REMIT PAYMENT TO: \_\_\_\_\_  
Attn: \_\_\_\_\_  
\_\_\_\_\_  
Phone: \_\_\_\_\_